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27 **UNITED STATES BANKRUPTCY COURT**
28 **NORTHERN DISTRICT OF CALIFORNIA**
SAN FRANCISCO DIVISION

1 **In re:**

2 **PG&E CORPORATION**

3 **- and -**

4 **PACIFIC GAS AND ELECTRIC**
5 **COMPANY,**
6 **Debtors.**

- 7 ☐ Affects PG&E Corporation
8 ☒ Affects Pacific Gas and Electric
9 Company
10 ☐ Affects both Debtors

11 **All papers shall be filed in the Lead*
12 *Case, No. 19-30088 (DM)*

13 Bankruptcy Case No. 19-30088 (DM)
14 Chapter 11
15 (Lead Case)
16 (Jointly Administered)

17 **DECLARATION OF ANAND NARAYANAN**
18 **IN SUPPORT OF THE MOTION AND**
19 **MEMORANDUM OF THE AD HOC GROUP**
20 **OF INTERCONNECTION CUSTOMERS TO**
21 **COMPEL PAYMENT OF PASS-THROUGH**
22 **AMOUNTS WITHHELD BY PACIFIC GAS**
23 **AND ELECTRIC COMPANY**

24 Date: November 13, 2019
25 Time: 10:00 a.m. (PT)
26 Place: United States Bankruptcy Court
27 Courtroom 17, 16th Floor
28 San Francisco, CA 94102

Objection Deadline:
November 8, 2019, at 4:00 p.m. (PT)

1 I, Anand Narayanan, hereby declare as follows:

- 2 1. I am a Director, Asset Management of CD Arevon USA, Inc., dba CD Arevon Asset
3 Management (“**CD Arevon**”). CD Arevon provides comprehensive asset management services to
4

1 renewable energy generation projects in which its affiliate Capital Dynamics, Inc. (“**Capital**
2 **Dynamics**”) has interests. Capital Dynamics manages private equity funds that develop, own, and
3 operate, through wholly-owned and partially-owned subsidiaries, renewable electric generation
4 facilities throughout the United States.

5 2. I have personal knowledge of the facts stated in this Declaration, except as otherwise
6 indicated. If called as a witness I could, and would, competently testify under oath as set forth
7 below.

8 3. I submit this Declaration on behalf of the Project Companies referred to below in
9 support of the *Motion of the Ad Hoc Group of Interconnection Customers to Compel Payment of*
10 *Pass-Through Amounts Withheld by Pacific Gas and Electric Company* (the “**Motion**”).¹

11 4. Capital Dynamics owns the controlling equity interests in CA Flats Solar 130, LLC
12 (“**Cal Flats 130**”), CA Flats Solar 150, LLC (“**Cal Flats 150**” and, together with Cal Flats 130, the
13 “**Cal Flats Project Companies**”), and Solar Star California XIII, LLC (“**Quinto**” and, collectively
14 with the Cal Flats Project Companies, the “**Project Companies**”).² Each of the Project Companies
15 owns and operates a photovoltaic solar energy generation facility located in California that is
16 interconnected to the California Independent System Operator Corporation (“**CAISO**”) controlled
17 grid through facilities owned by Pacific Gas and Electric Company (the “**Utility**”).

18 5. Capital Dynamics acquired its interests in the Cal Flats Project Companies on
19 August 21, 2017 and acquired its interests in Quinto on June 19, 2018. CD Arevon did not provide
20 project management services to the respective Project Companies and their Projects (as defined
21 below) until such dates. Accordingly, my statements herein relating to the Projects for the periods
22 prior to such dates are based on my review of regularly kept business records of regularly conducted
23 business activities of the Project Companies and the Projects.

24 6. Cal Flats 130 owns an approximately 130 MW_{AC} project (the “**Cal Flats 130**
25 **Project**”) located in the Cholame Hills area of southeastern Monterey County consisting of two
26 phases—one of 50 MW_{AC} (Phase 1) and another of 80 MW_{AC} (Phase 2)—both of which achieved

27 ¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed
28 to such terms in the Motion.

² Certain tax equity investors own indirect passive interests in the Project Companies.

1 commercial operation on November 22, 2017. Cal Flats 130 has committed to sell the entire output
2 of the Cal Flats 130 Project under a 25-year power purchase agreement with Apple Energy LLC.

3 7. Cal Flats 150 owns an approximately 150 MW_{AC} project (the “**Cal Flats 150**
4 **Project**”) in Monterey County located adjacent to the Cal Flats 130 Project, which achieved
5 commercial operation on March 5, 2019. Cal Flats 150 has committed to sell the entire output of
6 the CA Flats 150 Project under a 15-year Power Purchase Agreement with the Utility dated
7 December 19, 2013, as amended by the First Amendment of Power Purchase Agreement dated
8 May 17, 2016 and as further amended by the Second Amendment of Power Purchase Agreement
9 made as of November 29, 2018 (as so amended, the “**Cal Flats 150 PPA**”).

10 8. Both the Cal Flats 130 Project and the Cal Flats 150 Project (together, the “**Cal Flats**
11 **Projects**”) are connected to the Utility’s Morro Bay-Gates 230 kV transmission line in Monterey
12 County and the CAISO-controlled grid pursuant to a Large Generator Interconnection Agreement
13 (Q877) by and among California Flats Solar, LLC (“**Cal Flats**”), CAISO, and the Utility dated
14 November 14, 2014, which Cal Flats assigned to Cal Flats 130 and Cal Flats 150, as tenants-in-
15 common, and which was amended pursuant to a First Amendment dated as of May 4, 2017 and a
16 Second Amendment dated as of January 2, 2019 (as so assigned and amended, the “**Cal Flats**
17 **Interconnection Agreement**”).

18 9. Quinto owns an approximately 108 MW_{AC} project (the “**Quinto Project**” and,
19 together with the Cal Flats Projects, the “**Projects**”) located at 30500 McCabe Road, Gustine,
20 Merced County, the entire output of which is committed to Southern California Edison pursuant to
21 a 20-year power purchase agreement. The Quinto Project is connected to the Utility’s Los Banos
22 – Westley 230 kV transmission line by an approximately 0.05 mile tie line between the Quinto
23 Project’s collector substation and a new switching station of the Utility’s that was built to
24 interconnect the Project. The Quinto Project is interconnected to the CAISO-controlled grid
25 pursuant to a Large Generator Interconnection Agreement (Q577) by and among Quinto, CAISO,
26 and the Utility dated March 28, 2013, as amended by a First Amendment thereto dated as of
27 October 1, 2013 and a Second Amendment thereto dated as of December 11, 2014 (as so amended,
28

1 the “*Quinto Interconnection Agreement*” and, together with the Cal Flats Interconnection
2 Agreement, the “*Interconnection Agreements*”).³

3 10. The Interconnection Agreements required the Project Companies to make certain
4 upgrades to the Utility’s transmission system (“*Network Upgrades*”) in order to connect the
5 Projects to the CAISO-controlled grid. The Network Upgrades are described in Appendix A to
6 each of the Interconnection Agreements and include both (i) delivery network upgrades to relieve
7 constraints on the CAISO-controlled grid, and (ii) reliability network upgrades necessary to
8 interconnect the Projects safely and reliably to the Utility’s transmission system (including
9 additions, modifications, and upgrades necessary to remedy short circuit or stability problems) that
10 would not have been necessary but for the interconnection of the Projects.

11 11. Section 11.4.1 of each of the Interconnection Agreements requires the Utility to
12 reimburse the Project Companies for the Network Upgrades (“*Network Upgrade*
13 *Reimbursements*” or “*NUR Payments*”) made by them on a dollar-for-dollar basis, capped at
14 \$60,000 per MW_{AC} maximum net output for each Project, following the Commercial Operation
15 Date of the Project.

16 12. The Utility commenced making NUR Payments to Quinto in December 2016 and
17 generally adhered to the schedule for NUR Payments under the Quinto Interconnection Agreement
18 until it filed for bankruptcy protection, at which time the Utility stopped paying Network Upgrade
19 Reimbursements to Quinto.

20 13. At this time there are three outstanding past due NUR Payments owed to Quinto in
21 the total amount of \$6,000,000 and an additional \$1,500,000 will be due on or before January 1,
22 2020. The Utility is aware that the NUR Payments are past due and has advised the Project
23 Companies that the Quinto Network Upgrade Reimbursements cannot be paid during the pendency
24 of its bankruptcy case. The dates on which the Quinto NUR Payments were due, and the dates on
25
26

27 ³ The Interconnection Agreements substantially conform to the form Large Generator
28 Interconnection Agreement issued in CAISO’s open access transmission tariff, attached to the
Mersing Declaration at **Exhibit 2**.

1 which all of the remaining Network Upgrade Reimbursements for the Quinto Project will become
2 due, are set forth in the following table:

3	Due Date	Amounts Past Due	Amounts Not Yet Due
4	4/1/2019	\$3,000,000	
5	7/1/2019	\$1,500,000	
6	10/1/2019	\$1,500,000	
7	1/1/2020		\$1,500,000
8	4/1/2020		\$1,500,000
9	7/1/2020		\$1,500,000
10	11/1/2020		\$2,716,502
11	TOTALS	\$6,000,000	\$7,216,502

12 In addition to the foregoing NUR Payments, Quinto is entitled to interest at a rate fixed by FERC.
13 If the Quinto NUR Payments were made timely, the interest on such payments would total
14 \$5,508,598.07. The actual amount of interest on the Quinto NUR Payments will be greater than
15 such amount due to PGEC's delay in payment.

16 14. The Utility has not made any NUR Payments to the Cal Flats Project Companies.
17 The Utility asserts that the obligation to begin making NUR Payments to the Cal Flats Project
18 Companies did not commence until after the Cal Flats 150 Project achieved commercial operation
19 in March 2019, notwithstanding that the Cal Flats 130 Project had achieved commercial operation
20 in November 2017.⁴ As with the Quinto Project, the Utility asserts that the Network Upgrade
21 Reimbursements for the Cal Flats Projects cannot be paid during the pendency of its bankruptcy
22 case.

23 15. Notwithstanding the Utility's position regarding the postponement of Cal Flats 130
24 NUR Payments until the commencement of Cal Flats 150 NUR Payments, CD Arevon believes
25 that Cal Flats 130 is entitled to \$7,800,000 of NUR Payments over a five year period that should
26 already have begun, plus interest at the rate set by FERC in the amount of \$1,447,311.88 if such

27 ⁴ At this time, pursuant to the Motion, the Cal Flats Project Companies are only requesting
28 that the Bankruptcy Court order the Utility to timely pay NUR Payments that are past due and that
come due during these bankruptcy cases. They are not seeking a ruling concerning the dates and
amounts when NUR Payments are due to Cal Flats 130 and Cal Flats 150, but reserve the right to
seek such further relief following resolution of the pending Motion.

1 NUR Payments were timely paid when due, and a greater amount to the extent paid after their
2 proper due dates. CD Arevon believes that Cal Flats 150 is entitled to \$9,000,000 of NUR
3 Payments, plus interest at the rate set by FERC in the amount of \$1,669,975.25 if such NUR
4 Payments are timely paid, and a greater amount to the extent paid after their proper due dates.

5 16. In addition to the Network Upgrade Reimbursements owed to the Project
6 Companies by the Utility pursuant to the Interconnection Agreements, the Cal Flats 150 Project
7 Company is owed \$274,159.67 for “test energy” that it generated from December 20, 2018 through
8 January 28, 2019, as follows:

Test Energy Delivered	CAISO Revenues
12/20/2019 – 12/31/2019	\$ 26,862.36
1/1/2019 – 1/28/2019	\$247,297.31
TOTAL	\$274,159.67

12 17. Test energy is energy produced by a project during its “test period”, *i.e.*, the period
13 between (i) the date when CAISO informs the project owner that it may deliver energy from the
14 project to the CAISO grid and (ii) the date when the term of the power purchase agreement begins.

15 18. Pursuant to section 4.1(c) of the Cal Flats 150 PPA, the parties agreed that Cal Flats
16 150’s compensation for test energy “shall be the CAISO Revenues for the Delivered Energy, which
17 revenues [PGEC], shall forward promptly to [Cal Flats 150]”. Section 1.25 of the Cal Flats 150
18 PPA defines “CAISO Revenues” as a net amount based on “the payments received by [the Utility],
19 as [Cal Flats 150’s] Scheduling Coordinator” for the Project. On information and belief, the Utility
20 has received the full \$274,159.67 of CAISO Revenues for the Cal Flats 150 test energy.

21 19. The price paid by CAISO for test energy is determined by the Locational Marginal
22 Price for the relevant pricing node, not a price specified in the Cal Flats 150 PPA or otherwise
23 determined by the Utility.

24 20. Whereas the Utility has an interest in the output of the Cal Flats 150 Project pursuant
25 to the Cal Flats 150 PPA, the Utility has no interest in the energy produced by the Quinto Project,
26 all of which has been sold to Southern California Edison, or in the energy produced by Cal Flats
27 130, all of which has been sold to Apple Energy LLC. The Debtors’ only relationship with the
28 Quinto Project and the Cal Flats 130 Project is with respect to the transmission of power from such

1 Projects to the respective Project Companies' customers. These Project Companies are forced to
2 work with the Utility because they have no alternative means to transmit renewable energy from
3 their Projects to their customers.

1 I declare under penalty of perjury under the laws of the United States and the State of
2 California that the foregoing is true and correct.

3 Executed this 18 day of October, 2019 at Scottsdale, Arizona.

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Anand Narayanan

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